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CORRESPONDENCE MEMORANDUM

DATE: March 3, 2004

TO: Employee Trust Funds Board
Teachers Retirement Board
Wisconsin Retirement Board

FROM: Julie Reneau, Administrator
Retirement Services Division

SUBJECT: Benefit Payments System (BPS) Update – Termination of Contracts and Future Action

At our December meeting, it was reported that we were re-planning the project and renegotiating the contract with Covansys, our project vendor. The project was to be broken down into two phases, lump sum payments and all other annuity processing.

Covansys and ETF worked closely during a thorough project re-evaluation process to achieve the project goal of having a fully customized solution within a reasonable timeline. At the end of this process, it was concluded that the project would extend through 2006. Covansys' primary line of business had changed during our 20-month project from customized application development to a package approach that was in the final stages of completion. Covansys decided that it was not in their best interest to continue the project. In January 2004, you received an e-mail explaining that the Department had ended its contract with Covansys and that we were taking final steps to end the contract with MAXIMUS, the project monitor vendor.

Subsequent to the official notices of termination to Covansys and MAXIMUS, both vendors submitted final billings for their project work. Both vendors have been notified that their claims for further payment have been rejected, because the compensation will be no more than the percentage of completion of each work effort.

In late January, we issued a Request for Services through the State's procurement process to hire an independent third-party consultant to assess the past BPS project scope, goals, planning, achievements and management. Four vendors submitted proposals and we are in the final process of evaluating them and checking references. We expect to contract with a vendor by the middle of March and begin the formal assessment in April. The vendor will investigate, assess and offer recommendations on the following:

1. The original BPS objectives and Return on Investment (ROI).
2. Current Status of BPS project.

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3. Previous BPS project implementation vendor (Covansys).
4. Previous BPS project monitor (MAXIMUS).
5. Department of Administration's Division of Enterprise Technology role and responsibilities.
6. Lessons learned.
7. Analysis of current and future business goals and functional requirements.
8. Analysis of scope.
9. Analysis of proposed technology architecture and development methodology.
10. Offer development alternatives including ROI and risk assessment.

The final report will document areas of concern and provide alternatives and recommendations that we can use to move forward. Internally, we will reassess our purpose, goals and scope. Then in conjunction with the independent analysis, we will determine how to proceed for the development of our benefit payments system.

I would be happy to answer any questions that you may have concerning the current and future status of BPS.